

AUDIT AND RISK COMMITTEE
Tuesday 09 November 2021

CONFIRMED MINUTES

Present:

David Willis (Chair)
Dr Alix Pryde

Simona Fionda
Peter Thompson

James Hedges

In attendance:

Professor Colin Bailey

Michelle Hopkin [external
audit]

Rebecca Jones [minute
2021.027]

Karen Kröger

Dr Nadine Lewycky

Charles Medley [internal
audit]

Jonathan Morgan

Thulasi Nithyananthan
[external audit]

Janice Trounson

Apologies:

Dr Catherine Murray

Neil Thomas [internal audit]

Craig Wisdom [external audit]

Welcome

2021.022 The Chair welcomed everyone to the meeting and noted the apologies.

Minutes of the meeting held on 29 September 2021 [ARC2021/18]

2021.023 The Committee **confirmed** the confidential and non-confidential minutes of 29 September 2021 and **noted** the executive summary.

Matters arising [ARC2021/19]

2021.024 The Committee **noted** the matters arising from the meeting held on 29 September 2021. The following points were noted in the discussion:

Matters arising

[a] In reference to minute 2021.003[a] on the British Universities Finance Directors Group (BUFDG) response to the BEIS consultation, 'Restoring trust in audit and corporate governance', the Committee asked for greater specificity so that minutes could be read as stand-alone items.

[b] The Committee suggested that the items arising from the discussion on the CUC Higher Education Audit Committee Code of Practice could be taken together in June 2022.

Action: [b] Committee Secretary

External Audit Annual Report and Letter of Representation 2020–21 [ARC2021/20 & ARC2021/21]

2021.025 The Committee **considered** the external audit report and **noted** the letter of representation. The following points were noted in the discussion:

External audit report

- [a] The audit was progressing in line with the agreed timescales and all the significant risks had been audited and concluded. There was nothing identified at this stage that raised concerns. A number of items were outstanding before the audit opinion could be issued. At this stage, the financial reporting control environment appeared to be suitably reliable for the preparation of financial information.
- [b] A control deficiency had been identified in relation to the recognition of research grant income in the right period. A control recommendation had been made in relation to the classification of research income. An uncorrected misstatement had been identified but was considered immaterial.
- [c] There was nothing to draw the attention of the Committee in relation to the management override of controls. A control recommendation had been made to enhance the control environment.
- [d] The testing of major capital expenditure did not identify any adjustments that needed to be raised. The management of the fixed asset register was identified as a risk and a recommendation was made to implement an asset management system. Management would explore the options available and come back to the Committee with recommendations in June 2022.
- [e] Materiality was re-visited based on actual performance and was marginally lower due to revenue being below forecast. The subsidiary audits were in progress and would be finalised in advance of the signing of the annual report. It had been agreed with management to postpone the charity subsidiary audits until December 2021.
- [f] Deloitte had challenged management's classification of the Malta inter-company receivable as a current asset. It was not expected that a significant portion of the debtor would be settled within 12 months after the year end and therefore it should be classified as a non-current asset. Deloitte were satisfied with management's decision to leave it uncorrected as it was immaterial.
- [g] Deloitte had reviewed the valuation of the non-basic financial instruments and concluded that the assumptions and inputs were appropriate and the calculated fair value was within the reasonable range of outcomes. The Committee queried the accounting treatment if the policy was to hold the loan notes to maturity. The treatment allows us to be aware of the additional costs if the position changed. The Chief Financial Officer would address this with Committee members outside the meeting.

- [h] The work on expenditure on access and widening participation activities was largely complete. Any errors identified would be included as uncorrected misstatements. At the time of the meeting, there was nothing to report in respect of these matters.

Letter of representation

- [i] The Committee sought and received assurances from the members of senior management present that the letter of representation had been seen by the Senior Executive Team and that there were no reasons that Council could not sign it.

Actions: [d], [g] Chief Financial Officer

Audited Financial Statements 2020–21 [ARC2021/22]

2021.026 The Committee **considered** the audited financial statements for 2020–21. The following points were noted in the discussion:

- [a] Deloitte had reviewed the front and back of the accounts and had no significant recommendations. Quality review comments had been shared with management.
- [b] The going concern assessment showed a stronger position than last year. The Committee asked whether the macro economic environment had been taken into consideration when making the going concern assessment. The rise in interest rates would only impact a small part of our Lloyds loan which was floating. The impact of inflation would mostly be felt through the higher costs of goods and services.
- [c] In the post balance sheet notes, there was a new schedule of contributions based on the 2020 valuation of the USS pension scheme. Provided that the deed of benefit changes recommended by the Joint Negotiating Committee has been executed by 28 February 2022, this would result in an increase of £127m to the provision for the obligation to fund the deficit on scheme which would increase to £196m from £69m. This adjustment would be reflected in the 2021–22 financial statements. We heard that the triennial valuations resulted in universities with a significant number of staff in the scheme going into deficit.
- [d] The Committee said that the narrative in the front of the accounts was cohesive. The Chair asked for any drafting points to be sent through to the team shortly after the meeting.

Fire, health and safety annual report [ARC2021/23]

2021.027 The Committee **considered** the 2020–21 annual report on fire, health and safety. The following points were noted in the discussion:

- [a] The response to Covid was on-going alongside a return to the regular programme of inspections and routine training. The report had been considered by the Health and Safety Advisory Group (HSAG) which comprised representatives from all the major trade unions on campus and had been received favourably.

- [b] The Committee asked about the dose investigation notification (DIN) that had been issued in relation to radiation exposure. The level of exposure had been below the statutory reportable level but had been fully investigated and resulted in a change to working practices.
- [c] The Committee said that there appeared to be a number of issues with the Joseph Priestley building. These were mainly in relation to air handling and the local exhaust ventilation systems. Work was being done with colleagues in Estates to implement solutions. The situation was being monitored carefully to ensure that we were meeting regulations in relation to the control of hazardous substances.
- [d] The Committee asked about the organisation's readiness for upcoming legislative changes in health and safety. We were compliant with the Fire Safety Act which would come into force later this year. The Building Safety Bill, which was currently going through parliament, would have a greater impact on day-to-day activities.
- [e] The Committee discussed the governance process relating to actions arising from health and safety audits. Responsibility for implementing actions sat with Schools who reported to the termly Faculty Health and Safety management meetings. Faculties reported to HSAG which would provide feedback and support. Outstanding compliance issues could be escalated directly to the President and Principal and the Chief Governance Officer.
- [f] The Committee asked for future reports to highlight at the beginning the organisation's capability in dealing with certain risks.

Action: [f] Director of Health and Safety

Internal audit progress report [ARC2021/24]

2021.028 The Committee **received** the internal audit progress report. The following points were noted in the discussion:

- [a] The report on compliance with the Universities UK (UUK) Code of Practice for the Management of Student Housing had been completed and would be circulated outside of the meeting. Good progress was being made on the rest of the plan.

Legal compliance report [ARC2021/25]

2021.029 The Committee **considered** the legal compliance report for 2020–21. The following points were noted in the discussion:

- [a] The report focused areas of increased risk due to recent legislative changes or where there had been issues previously. We continue to comply with copyright law with the move to online learning. The virtual learning environment was a controlled environment and any issues could be addressed quickly. The introduction of the National Security and Investment Act 2021 meant that there were new risks in relation to export controls. No

areas of non-compliance had been identified but as the area was new it would continue to be monitored closely. The Academic Technology Approval Scheme (ATAS) had been extended to staff and visiting researchers. The latter was a concern as visitors were often invited by individual Schools with little central oversight. Schools were being provided with guidance and support. This was the first review of Occupational Health since the service had been outsourced several years ago. There had been an issue with ensuring students on clinical placements had received the necessary vaccines and we were liaising with placement providers to address this.

- [b] The Committee asked where assurance could be provided alongside the self-assessment by area owners. The internal audit programme provided assurance on regulatory matters. Policies were reviewed on a rolling basis with external legal input. A summary of policies where legal advice had been taken would be prepared for the Committee in the new year.
- [c] The Committee asked for the table of functional leads in Annex A to include a column showing the last date of external review and highlighting any material changes in the legislation.
- [d] The Prevent return would be considered at Council. The Prevent Duty risk register provided the basis for compliance and all controls were working effectively. We were required to demonstrate to the Office for Students that we were giving due regard to the Prevent Duty through our event organisation and training for safeguarding roles. The figures were in line with the previous year.

Actions: [b], [c] Chief Governance Officer

Audit and Risk Committee Annual Report 2020–21 draft 2 [ARC2021/27]

2021.030 The Committee **considered** the Audit and Risk Committee annual report 2020–21 draft 2. The following points were noted in the discussion:

- [a] The outstanding sections would be updated following the meeting. Committee members were asked to submit comments on the draft by Monday November 15th before submission to Council.

***Draft agenda for the next meeting [ARC2021/28]**

2021.031 The Committee **noted** the draft agenda for the next meeting on 16 March 2022.

Tender for provision of external audit services – recommendation to appoint [ARC2021/29]

2021.032 *Minute 2021.032 is confidential.*

Process for tendering for internal audit services [ARC2021/30]

2021.033 *Minute 2021.033 is confidential.*

Any other business

Committee membership

2021.034 This was the last meeting for David Willis as Chair of the Committee. The Committee expressed its thanks to David for his considerable contribution to the university.

Dates of meetings in 2021–22:

- Wednesday 16 March 2022 at 1500 hours, Robert Tong Room, Mile End.
- Thursday 23 June 2022 at 1500 hours, Robert Tong Room, Mile End.